

## Message Text

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PAGE 01 NAIROB 02049 021347Z

47

ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EA-07 NEA-10 ISO-00 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00

OMB-01 /109 W

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P R 021250Z MAR 76

FM AMEMBASSY NAIROBI

TO SECSTATE WASHDC PRIORITY 8085

INFO AMEMBASSY ABIDJAN

AMEMBASSY ADDIS ABABA

AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY GUATEMALA

AMEMBASSY JAKARTA

AMEMBASSY KINSHASA

AMEMBASSY MANAGUA

AMEMBASSY MEXICO

AMEMBASSY NEW DELHI

AMEMBASSY QUITO

AMEMBASSY RIO DE JANEIRO

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY SANTO DOMINGO

AMCONSUL SAO PAULO

AMEMBASSY TEGUCIGALPA

AMEMBASSY YAOUNDE

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E.O. 11652: N/A

TAGS: ETRD, EAGR

SUBJECT: CONGRESSIONAL HEARINGS ON COFFEE PRICE INCREASES

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PAGE 02 NAIROB 02049 021347Z

REF STATE 34044

1. SUMMARY: GOK TAKING FULL ADVANTAGE OF BOOMING COFFEE PRICES BY EXPORTING '75-'76 CROP AS QUICKLY AS POSSIBLE AND ENCOURAGING FARMERS TO IMPROVE PLANT QUALITY. FORECAST FOR '75-'76 CROP IS 75,000 M.T. NO ATTEMPTS MADE OR CONTEMPLATED TO RESTRICT COFFEE EXPORTS. FOLLOWING POINTS REFER TO SPECIFIC INQUIRIES IN REFTEL.

2. INTERNAL RETAIL PRICE OF COFFEE HOUSE (MEDIUM BLEND) IS 91 CENTS PER POUND, NO CHANGE FROM PRE-FROST PERIOD.

3. COFFEE AUCTION PRICES AVERAGED 57 CENTS PER POUND DURING 1974/75 COFFEE YEAR. AVERAGE PRICE OF COFFEE AUCTIONED IN JANUARY 1976 WAS 94 CENTS PER POUND. TRADE EXPERTS IN NAIROBI PREDICT PRICES HAVE ALREADY CRESTED AS WORLD MARKET STARTS TO STABILIZE FROM PANIC BUYING AFTER BRAZILIAN FROST AND GUATEMALAN EARTHQUAKE.

4. GOK IMPOSES NO RESTRICTIONS ON VOLUME OF COFFEE EXPORTS. ACCORDING TO COFFEE BOARD AUTHORITIES, NO ATTEMPTS WILL BE MADE TO HOARD COFFEE SUPPLIES IN ORDER TO DRIVE UP PRICES. IN FACT, COFFEE MILLS ARE WORKING AROUND THE CLOCK TO GRIND ALL AVAILABLE BEANS AND DELIVER BAGS TO AUCTION. KENYA USUALLY COMPLETES EXPORTING IN JUNE OR JULY, WELL BEFORE END OF COFFEE YEAR IN SEPTEMBER. DUE TO LACK OF STORAGE FACILITIES, KENYA COULD NOT PRACTICALLY RESTRICT EXPORTS WITHOUT LOSING CROP. NEW PLANTING PROGRAMS INSTITUTED IN 1973 HAVE ADDED 7,000 NEW HECTARES TO COFFEE CULTIVATION WITH A TARGET OF 120,000 HECTARES BY 1983/84.

5. INITIAL PRODUCE PRICES SET BY KENYA COFFEE BOARD AT BEGINNING OF 1974/75 COFFEE YEAR AVERAGED 35 CENTS PER POUND (RANGE: 43 CENTS TO 12 CENTS). ON BASIS CLASSIFICATIONS THROUGH NOVEMBER 1975, AVERAGE PRICES ROSE TO 51 CENTS PER POUND (RANGE: 62 CENTS TO 24 CENTS). INITIAL PRICES FOR 1975/76 COFFEE YEAR WERE SET DECEMBER 1975 RANGING FROM 42 CENTS TO 17 CENTS PER POUND. OVERALL PRICES RECEIVED A BOOST FROM SHILLING DEVALUATION IN LIMITED OFFICIAL USE

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PAGE 03 NAIROB 02049 021347Z

OCTOBER 1975 (14 PERCENT AGAINST THE DOLLAR).

6. SUDDEN BOOM IN COFFEE PRICES AND COINCIDENTALLY GOOD WEATHER CONDITIONS BROUGHT WELCOME REVENUE TO KENYAN FARMERS AFTER THREE YEARS OF DROUGHT AND LOW MARKET DEMAND. COFFEE BOARD OFFICIALS HAVE BEEN TRAVELLING THROUGH CHIEF PRODUCING REGIONS, EXHORTING FARMERS TO TAKE ADVANTAGE OF RECORD PRICES WHILE THEY LAST. THRUST

OF BOARD'S CAMPAIGN IS TO IMPROVE PLANT QUALITY IN ORDER TO INCREASE VOLUME OF KENYAN CROP FALLING INTO HIGHER CLASSIFICATIONS. INTRODUCTION OF SORTEX MACHINES IN 1974 ASSURES MORE ACCURATE SELECTION OF QUALITY BEANS. MECHANICAL GRADING HAS ALSO RESULTED IN HIGHER REVENUE TO PRODUCERS BY SALVAGING BEANS PREVIOUSLY DISGARDED BY MANUAL SORTING. AS ADDITIONAL PRODUCTION INCENTIVE, GOK REDUCED FERTILIZER PRICES IN JANUARY. KENYA PLANTERS' COOPERATIVE UNION SET UP NEW INSPECTION AND ADVISORY SERVICE TO ASSIST FARMERS IN FIELD MANAGEMENT.

7. THROUGH NOVEMBER 1975, UGANDA EXPORTED 1,838,920 QUITALS OF COFFEE WORTH \$171,622,928, DOWN 3 PERCENT FROM 1974 VOLUME AND 10 PERCENT FROM 1974 REVENUE. ACCORDING TO EAST AFRICAN CUSTOMS STATISTICS, NOVEMBER'S COFFEE EXPORTS WERE VALUED AT 55 CENTS PER POUND, COMPARED TO 44 CENTS PER POUND EARNED ON APRIL 1975 EXPORTS. DEPT. SHOULD NOTE, HOWEVER, THAT NOVEMBER EXPORTS REPRESENT EARLY CROP, WHILE APRIL SALES OCCUR DURING HIGH SEASON. EMBASSY REGRETS THAT FURTHER DETAILS ON UGANDAN COFFEE INDUSTRY UNAVAILABLE THROUGH NAIROBI CONTACTS. FROM INFORMAL CONVERSATIONS WITH COFFEE TRADERS WHO PREVIOUSLY HANDLED UGANDAN COFFEE, IT APPEARS THAT TRANSPORTATION BREAKDOWNS (AMONG OTHER FACTORS) HAVE SLOWED INTERNAL MOVEMENT OF BEANS. ONE SOURCE REMARKED IN FEBRUARY THAT OVER A MILLION BAGS WERE LEFT ROTTING IN UGANDAN WAREHOUSES. MOREOVER, TRADE BOYCOTT RAISED BY KENYAN LONGSHOREMEN FOR POLITICAL REASONS IN LATE FEBRUARY HAS HALTED MOVEMENT OF UGANDAN COFFEE THROUGH PORT OF MOMBASA. ONE SHIPPING AGENT ESTIMATED THAT 10,000 TONS HAD ALREADY ACCUMULATED IN DOCKSIDE WAREHOUSES MARCH 1.

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PAGE 04 NAIROB 02049 021347Z

DECONTROL 3/2/80  
MARSHALL

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## Message Attributes

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**TAGS:** ETRD, EAGR  
**To:** STATE  
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